(b) As per the Status Report on India's External Debt (August 2006), the debt service payments are estimated to increase from US $ 7.95 billion in 2006-07 to US $ 13.94 billion in 2010-11 mainly as a result of the repayments due on commercial borrowings availed in 2004-05 and 2005-06.

(c) During 2005-06, the debt service payments were higher than in 2004-05, primarily due to the redemption payments of India Millennium Deposits to the extent of US $ 7.1 billion.

(d) Prudent external debt management policies are pursued by the Government to maintain external debt within manageable limits. These include emphasis on raising funds on concessional terms and from less expensive sources with longer maturities, monitoring of short-term debt, prepaying high cost loans, rationalizing interest rates and NRI deposits, restricting end-use of external commerical borrowings, limiting trade credits and encouraging non-debt creating capital flows.

Credit guidelines for SEZs

627. SHRI S.M. LALJAN BASHA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact the RBI has advised the banking sector to treat credit for SEZs as the same category as real estate;

(b) if so, whether it is also a fact that RBI reversed this views within 15 days;

(c) what are the reasons for RBI following inconsistent policies;

(d) whether Government convinced the RBI to changed its views; and

(e) the details of the dialogue between Government and RBI on the credit guidelines for Special Economic Zones?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) Keeping in view the current market conditions, Reserve Bank of India (RBI) has issued guidelines on banks' exposure to entities for setting up Special Economic Zones (SEZs)/ acquisition of units in SEZs on 20th September, 2006, directing all commercial banks that the exposure the banks to entities for setting up of SEZs or for acquisition of units in SEZs which includes real estate would be treated as exposure to commercial real estate sector with immediate

effect and banks would have to make provisions as also assign appropriate risk weights for such exposures as per the existing guidelines.

(b) No, Sir.

(c) and (d) Do not arise.

(e) A suggestion has been made to RBI to create a new category for banks' exposure to SEZs.

Inflation rate

628. SHRI S.M. LALJAN BASHA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that inflation reached 4.6 per cent in October, 2006 in the country;

(b) whether it is also a fact that 4.6 per cent inflation has adversely affected poorer sectors;

(c) whether Government have any motive or objective in keeping inflation rate above 4 per cent in the country;

(d) what are the reasons for Government's inability to bring down the inflationary spiral; and

(e) the steps proposed to review the inflationary policy?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) Sir, the provisional average (52 weeks) WPI based inflation as on 28ftl .October, 2006 was 4.55 per cent.

(b) Increase in prices of essential commodities, in general, affect the poor people adversely.

(c) No Sir.

(d) Government does not perceive any existence of inflationary spiral as the rate*bf inflation have not followed a unidirectional upward trend.

(e) Govemment has taken various anti-inflation measures which include strict fiscal and monetary disciple, lowering of import duties, effective management of supply and demand through import of essential commodities, strengthening of the public distribution system and curbing of exports in certain commodities.